NOVA SCOTIA FISHERIES & AQUACULTURE LOAN BOARD

ANNUAL ACCOUNTABILITY REPORT
FOR THE FISCAL YEAR 2003/2004

105-05997/

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Accountability Statement

The accountability report of the Nova Scotia Fisheries and Aquaculture Loan Board for the year ended March 31, 2004, is prepared pursuant to the Provincial Financial Act and government policy and guidelines. These authorities require the reporting of outcomes against the Nova Scotia Fisheries and Aquaculture Loan Board business plan information for the fiscal year 2003/2004. The reporting of The Nova Scotia Fisheries and Aquaculture Loan Board outcomes necessarily includes estimates, judgements and opinions by Loan Board management.

We acknowledge that this accountability report is the responsibility of The Nova Scotia Fisheries and Aquaculture Loan Board. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in The Nova Scotia Fisheries and Aquaculture Loan Board business plan for the year.

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Minister

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Deputy Minister

Message From The Chairman - It is my pleasure to present the 2003/2004 Annual Accountability Report for The Nova Scotia Fisheries and Aquaculture Loan Board. This report reflects the Loan Board's efforts to achieve the goals and priorities outlined in the Loan Board's 2003/2004 Business Plan.

I would like to express my thanks to the staff of the Loan Board for their hard work and commitment to providing excellent service to the aquaculture and fisheries industries, in the best interest of the people of Nova Scotia.

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Loan Board Chairman

Introduction - The accountability report is based on the goals, priorities and outcomes set out in the Loan Board's 2003/2004 business plan.

The purpose of the report is to summarize the activities, accomplishments and outcomes of the previous fiscal year, and specifically reflect on the organizations business plan. The report is arranged so that readers may understand the Loan Board's accomplishments in line with our business plan.

During the year the Fisheries and Aquaculture Loan Board focused on its mission statement which is as follows:

"To serve, develop and optimize the harvesting segment of the Nova Scotia fishing and aquaculture industries, for the betterment of our coastal communities and the province as a whole."

The Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936, by providing long term stable development funding. The Loan Board operates under the authority of the Fisheries and Coastal Resources Act. This Act, by its name emphasizes the coastal community development focus of the Boards operations and fosters the growth and development of the economy in our coastal communities as it relates to the harvesting and aquaculture sectors of the fishing industry in Nova Scotia.

Progress and Accomplishments

The goals and priorities from the 2003/2004 Business Plan are as follows:

Core Business Area 1: Providing long term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry. Reviewed 163 loan applications during the 2003-2004 fiscal year.

- $25 million of developmental funding was approved to the fishing and aquaculture industries.
- 163 loan applications were assessed.
- The loan approval limit for staff was adjusted November 2004 to provide improved service to the client.
- 101 new vessels were built and 5 upgrades to existing boats were completed.

Core Business Area 2: Maintain a vessel inspection program for all new construction, used vessel purchases and engine and equipment loans.

- New vessels were inspected biweekly during construction to ensure that they are built to rigid Loan Board standards. 531 inspections were carried out.
- During these inspections technical advise is provided which relates to the construction of these new vessels.
- 51 inspections were completed for used vessel purchases, engine/equipment and upgrade loans. These inspections ensure that the vessel is built to the Loan Board's standards and that the loan is secure in the value of the boat.

- 473 maintenance inspections were completed to ensure the Loan Board's security is being maintained.

- 101 new vessel construction plans and specifications were checked and approved by technical staff to ensure they met Loan Board standards.

Core Business Area 3: Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.

- The arrears percentage has been reduced to 1.27% as of March 31, 2004 from 1.8% on March 31, 2003.

- The reduction in the arrears percentage was a result of continued follow ups by staff using all available collection tools (letters, phone calls and field visits).

Core Business Area 4: Provide financial counseling and assessments for proposed projects.

- The assessment of proposed projects and financial counseling to all new and existing applicants resulted in 132 approvals of 163 applications submitted.

- Continued to partner with industry, other lenders and other government departments to improve financial information and develop competitive lending packages for our clients.

Human Resources

The Loan Board staff of 9 do not anticipate any changes in current fiscal year. Succession planning is a priority of the department and of this division.

Information Technology

Each of the nine Loan Board staff members have a computer and these will be upgraded and replaced on a rotating basis.

The Nova Scotia Farm Loan Board and the Nova Scotia Fisheries and Aquaculture Loan Board are currently involved in a process that will replace their current accounting software. The present software for the Nova Scotia Fisheries and Aquaculture Loan Board was developed in the early 80's.

Financial Results	2002 - 2003		2003 - 2004	
	Budget	**Actual**	**Budget**	**Actual**
Capital Advances	25.0M	20.5 M	25.0 M	21.9 M
Repayments	10.0M	11.9 M	10.0 M	18.1 M
Net Advances	15.0 M	8.6 M	15.0 M	3.8 M

*Actual advance's do not include commitment un-advanced. In 2002/2003 that amount was $4.6M and in 2003/2004 that amount was $4.9M. Repayment in both years exceed the budgeted amount and in 2003/2004 we experienced a significant number of payouts.

Operating Budget

Statement of Revenues, Expenditures and Accumulated Surplus
For the Years Ended March 31, 2003 and March 31, 2004

	2004	Budget 2004	2003
Revenues			
Interest income	$5,492,696	$5,100,000	$4,945,114
Loan fees	$ 151,060	$ 106,700	$ 188,361
	$5,643,756	$5,206,700	$5,133,475
Expenditures			
Interest expense	$2,872,152	$3,700,000	$3,611,010
Salaries and benefits	$ 485,076	$ 580,300	$ 555,006
Board honoraria	$ 4,100	$ 7,600	$ 5,050
Travel	$ 54,083	$ 48,200	$ 60,020
Office supplies	$ 28,270	$ 17,700	$ 45,167
Bad debts	$ 41,424	$ 50,000	$ 954,148
	$3,485,105	$4,403,800	$5,230,401
(Deficit) Surplus before Government contribution	$2,158,651	$802,900	($ 96,926)
Contribution by Department of Agriculture and Fisheries	$ 612,953	$530,000	$1,619,391
Surplus	$2,771,604	$1,332,900	$1,522,465
Distribution to Department of Finance	$2,771,604	$1,332,900	$1,522,465
Accumulated Surplus	$ 0		$ 0

Performance Measures

The Outcome Measures reported upon are from the 2003/2004 Business Plan.

The Fisheries and Aquaculture Loan Board has four core business areas, the first is **Providing long term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry.** The outcomes for this core business area are sustainable fishery and aquaculture industries, increased landings and sales, development of new fishery enterprises, maintaining and creating jobs in Nova Scotia and improvement of lending programs for the fishing and aquaculture industries. The following measures are used to record movement towards achieving the outcomes.

Increase in total landed value resulting in an increase to individual fishers incomes.

What does the measure tell us?

With long term sable financing fishers can expand their operations and maintain/ increase their income and the landed value of fishery products.

Where are we now?

In 2000 - 2001 (our base year) industry income was $648 M and our target was to maintain industry stability. Since that time the landed value of fishery products for the 2001 - 2002 was $783 M and the average income of a lobster fisher was $110,390.

The landed value of fishery products for the 2002 - 2003 was $739 M and the average income of a lobster fisher was $98,283.

The industry experienced a $44M decline in 2002 - 2003. Many variable (such as weather, quota, price & weight etc.) factor in to the landed value of fish products.

Industry income has still increased by 14% over our base year.

Where do we want to go/be in the future?

With the assistance of a suitable lending program we hope the industry can maintain 3% annual growth in annual income.

Amount of Loan Advances

What does the measure tell us?

The measure is the loan activity of the Loan Board and if their lending programs are meeting the needs of the industry.

Where are we now?

In 2000 - 2001 (our base year) loan advances were $18.5M and our target was to increase annual advances. Since that time loan advances for 2001/2002 were $18.9M for 2002 - 2003 they were $20.5M and for 2003 - 2004 they were $21.9M.

Where do we want to go/be in the future?

The target for this measure is to increase annual advances yearly if the lending budget is made available each year.

Maintain and create jobs in Nova Scotia

What does the measure tell us?

The lending program of the Fisheries and Aquaculture Loan Board creates and maintains many jobs in the coastal communities of Nova Scotia. These would include jobs onboard the vessel in the construction and repair shop as well as suppliers to these facilities and the processing plants.

Where are we now?

In 2000 - 2001 (our base year) 7,992 direct and indirect jobs were created or maintained and our target was to maintain and create jobs in Nova Scotia. As of March 31, 2002 - 8,084 jobs were created or maintained in the harvesting sector and spinoff industries and as of March 31, 2003 this has increased to 8,173 jobs. During the last fiscal year the number of jobs increased to 8,925.

Where do we want to go/be in the future?

The target for this measure is to support industry initiatives and the harvesting of underutilized species which will create employment both in fishing and boatbuilding as new vessels will be required to fill the need at an annual increase of 100 jobs per year.

Increase in the amount of the loan portfolio

What does the measure tell us?

An increase in the loan portfolio tells us that the lending program is suited to the needs of the fishing industry and that the Loan Board is a successful lender.

Where are we now?

In 2000 - 2001 (our base year) our loan portfolio was $53 M and our target was to increase by 15%. Since that time, our loan portfolio increased to $60.7 as of March 31, 2002, $69.1M as of March 31, 2003 and $71.7M as of March 31, 2004

Where do we want to go/be in the future?

The target for this measure is to increase the balance of the loan portfolio by 15% per year by supporting financially viable operations.

The second core business area of the Loan Board is to **maintain a vessel inspection program for all new construction, used vessel purchases and engine, equipment and upgrading loans.** The outcomes for this core business area are inspection of each new vessel under construction bi-weekly, yearly inspections of each financed vessel and to ensure that vessels related to used boat, engine, equipment and upgrading applications are appraised. The following measures are used to record movement towards achieving the outcomes.

Number of vessels under construction inspected bi-weekly

What does the measure tell us?

All vessels under construction must be inspected bi-weekly to ensure that they are built to rigid safety standards.

Where are we now?

In 2000 - 2001 (our base year) 511 bi-weekly inspections were carried out and our target was to conduct bi-weekly inspections on all new vessels under construction. Since that time our standard of conducting bi-weekly inspections on all vessels under construction was met.

Where do we want to go/be in the future?

The target for this measure is to ensure that the Loan Board has sufficient operating budget to carry out bi-weekly inspections and that bi-weekly progress payments are made to the boat builders.

Number of yearly maintenance inspections

What does the measure tell us?

Each vessel that is financed by the Loan Board should be inspected yearly to ensure that it is being

kept in seaworthy condition.

Where are we now?

In 2000 - 2001 (our base year) 523 maintenance inspections were carried out and our target was to inspect all vessels annually. Since that time our standard of inspecting all financed vessels yearly was met.

Where do we want to go/be in the future?

The target for this measure is to ensure that each vessel financed by the Loan Board is inspected yearly and that a survey report is completed on each vessel. These inspections ensure that the Loan Board maintains an equity position in each vessel financed.

Number of vessel inspections related to new loan applications

What does the measure tell us?

Each loan application that is received for a used vessel loan, upgrading, engine or equipment loan must be inspected to determine if the loan would be secure in the value of the boat.

Where are we now?

In 2000 - 2001 (our base year) 106 vessels were inspected for the purpose of used boat purchases, upgrades, new engines or equipment and our target was to conduct these inspections bi-weekly. Since that time our standard of inspecting all used vessels for which a loan application was received was met.

Where do we want to go/be in the future?

The target for this measure is to ensure that each vessel related to a loan application is inspected prior to approval to guarantee that the loan will be secure in the value of the boat and that an inspection report is completed.

The third core business area of the Loan Board is to **maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.** The outcomes for this core business area are frequent collection activity and a decrease in the arrears level. The following measure is used to record movement towards achieving the outcomes.

Percent of accounts in arrears

What does the measure tell us?

All accounts in arrears receive collection activity on a monthly basis ie: phone calls, letters and visits.

Where are we now?

In 2000 - 2001 (our base year) the percent of accounts in arrears was 4.1% and our target was a 3% arrears level. Since that time the percent of principal in arrears has reduced. As of March 31, 2002 the rate was 3.4% and as of March 31, 2003 the rate was 1.8% and as of March 31, 2004 the rate was 1.27%.

Where do we want to go/be in the future?

The target for this measure is to reduce the per cent of principal in arrears to 3% or less. The Loan Board requires adequate staff and operating budget to perform monthly collection visits and this will also ensure that the loan balances are reducing as per the repayment schedule.

The forth core business area of the Loan Board is **to provide financial counseling and assessments for proposed projects.** An outcome that will contribute to this core business is harvesters successfully expanding their operations. The following measures are used to record movement towards achieving the outcome:

Increase in fishers income

What does the measure tell us?

If fishers can increase their income by utilizing all of their existing licenses and purchasing a larger vessel with Loan Board financing the fishing industry and the Loan Board will be successfull.

Where are we now?

In 2000 - 2001 (our base year) individual lobster fisher's income was $83,478 and our target was 5 - 10% increase in fishers gross stock. Since that time the average income of a lobster fisher has increased. In 2002 it was $110,390 and in 2003 it was $98,283.

Where do we want to go/be in the future?

The target for this measure is an annual increase of 5-10% in the landed value of fishery products in Nova Scotia and the same 5-10% annual increase in fishers average annual income. With the

Fisheries and Aquaculture Loan Board having suitable lending programs and well trained knowledgeable staff this should be achieved.

Percent of Annual Writeoffs

What does the measure tell us?

This measure tells us if the Loan Board programs are suitable as well as loan repayment schedules. It also indicates if the Loan Board is analyzing loan applications properly.

Where are we now?

In 2000 - 2001 (our base year) the percent of annual writeoffs was .25% and our target was no increase in writeoff amounts as a percent of loan portfolio. Since that time the percent of annual writeoffs has been under .25% of the loan portfolio and this is also the case on March 31, 2004.

Where do we want to go/be in the future?

The target for this measure is to keep the annual writeoffs under .25% of the total loan portfolio. This can be achieved by counseling fishers and aquaculturists, by having patient collection procedures and by monthly collection visits and phone calls to delinquent clients.